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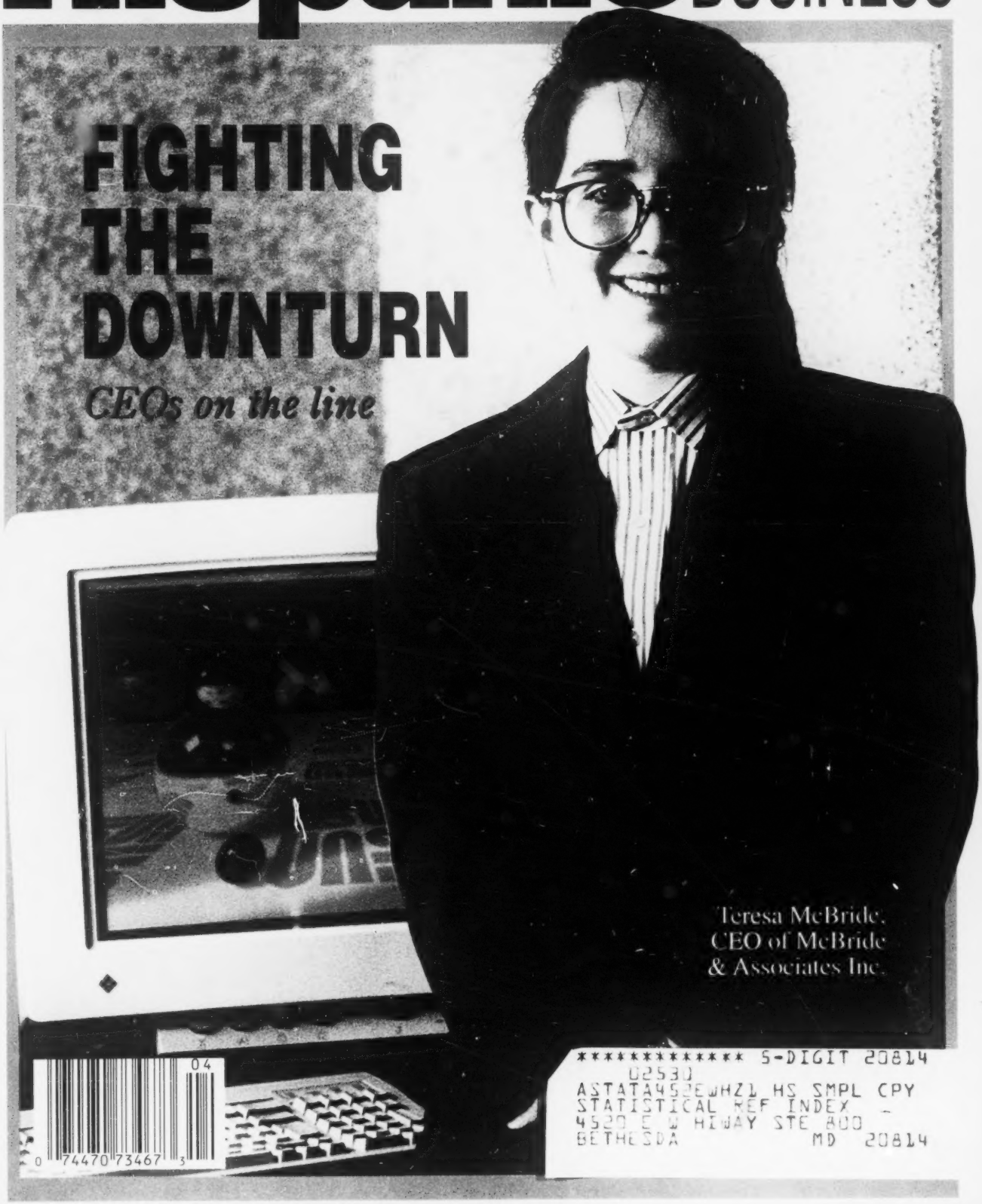
Hispanic BUSINESS®

FIGHTING THE DOWNTURN

CEOs on the line



Teresa McBride, CEO of McBride & Associates Inc.

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Hispanic BUSINESS

The magazine for growth companies and ladder-oriented professionals

April 1991 Volume 13, Number 4

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BPA MEMBERSHIP APPLIED FOR 1/90.

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Photo by Jeffrey Gerlach. This month's cover design by Buffalo Brothers Studios West.

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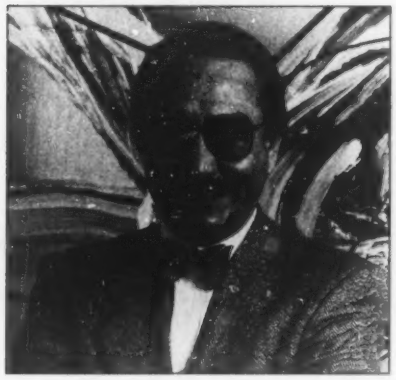

CEOs constantly aim, or should, to keep their companies at the cutting edge of the markets. When the markets are up, CEOs generally think in terms of growth and expansion. But when the reverse is true, as it is now, business contraction or at best disciplined growth is the order of the day.

We talked with CEOs across the country for this issue, to gauge their current state of mind and assess their companies' current performance. These talks produced a series of profiles that dramatically illustrate top management sensitivity to the markets. The markets are generally down, although not in all cases, and as a result we catch a glimpse of the many ways these CEOs are responding—positioning for the downturn, but with an eye to sharpening their performance edge.

The title of this month's cover story, "Managing to Grow," captures the current challenge for all CEOs. How they manage, particularly in a weakened economy, is what business leadership is all about. And indeed many of the CEOs we surveyed this year continue to lead their companies in a degree of growth.

One leader who continues to rack up impressive growth is Teresa McBride, CEO of McBride & Associates in Albuquerque. Ms. McBride, to be sure, works in the still fast growing computer field. Her computer service and sales business reached sales of $14.8 million in 1989, propelling her company into second place on the HISPANIC BUSINESS 100 list of fastest growing companies last year. Now she reports a further increase, to $17 million in 1990.

But most of the seven CEOs we profile in this issue are feeling the constricting effects of the downturn, and are doing something about it in terms of cost-cutting strategies.

Specifically, five of these entrepreneurs report only moderate growth between 1989 and 1990, and two say their sales have already dropped off. Rosemary Breiner runs a construction company in Denver that was particularly hard hit. And Roberto Vilato in New York says revenues for his Interstate Courier service dropped marginally.

Yet it is precisely because of hard times that these profiles are so instructive. For example, one of the ways CEOs are beating the squeeze on profits is to cut the high cost of health insurance. Senior Editor Rick Mendosa describes how employee leasing can be used for that purpose, with a sharp focus on an employee leasing company in Miami—Vincam Human Resources—founded by CEO Carlos Saladrigas.

Recent events in the media also testify to the downturn. Undoubtedly the hardest hit was the publisher of Coral Gables-based *Vista* magazine, and my good friend, Arturo Villar. Apparently in response to troubled revenues, the board of directors of the magazine that Mr. Villar founded replaced him, as well as his editor and long-time associate Henry Caicedo. Mr. Villar and Mr. Caicedo put together one of the first print products ever launched in the Hispanic media market.

We will watch these enterprising gentlemen with interest to see where they identify new opportunities in a new market environment.

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MANAGING TO

By Joseph Wells

Survey shows how top CEOs deal with a worsening economy.

Lawrence Rego says his greatest success is "being able to prosper during these hard times." Mr. Rego is the chief executive officer of Sound Electric Corp., a large electrical contracting firm in the Bronx. In spite of the worsening U.S. economy, Sound Electric's sales went from $5.8 million in 1989 to $9.3 million for 1990. But not all Hispanic-owned companies are doing so well. Charles Diez, who is CEO of the Supreme Gear Co., just north of Detroit, laments that he has just been forced to lay off 15 people because of the economy and growing foreign competition.

Both companies, Sound Electric and Supreme Gear, are members of the HISPANIC BUSINESS 500—America's largest Hispanic-owned companies. And their leaders made these comments in response to our Annual HISPANIC BUSINESS CEO Survey.

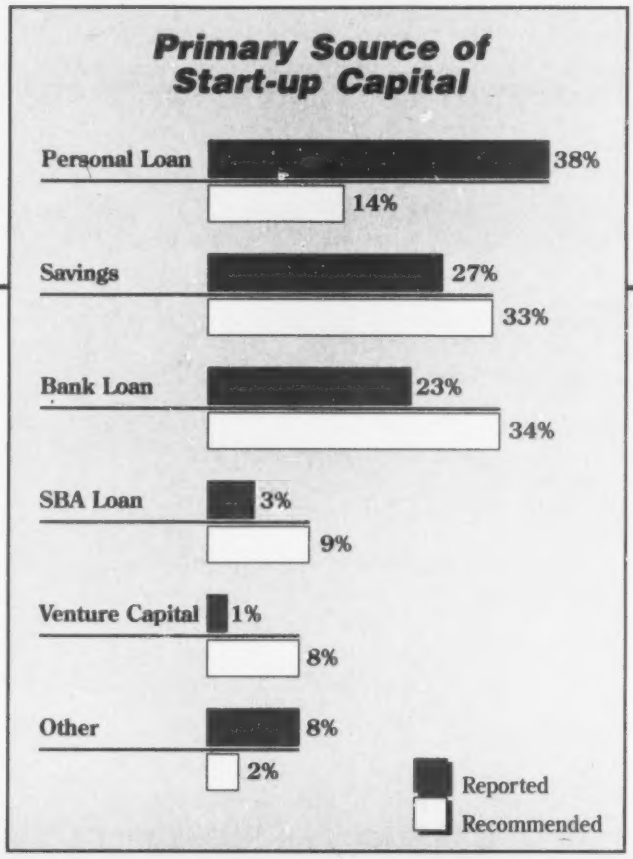
The CEOs responded to our 15 survey questions with insights for other entrepreneurs on how they got where they are today. The questions covered everything from start-up financing to current income and membership in Hispanic organizations.

On the financial front, we found that while almost 40 percent of the CEOs responding to the survey started their companies with personal loans, they tend to recommend alternative sources of capital to other people planning to go into business. The average company is 19 years from start-up, was funded with $51,000, and now has working capital of $1.1 million and a monthly payroll of $162,000. Average sales are $16.6 million.

—The biggest headache is still "the competition" as in previous years, but this headache is getting worse. Last year one-fourth of the responding CEOs said this was their main pressure. This year it is nearly half, 48 percent. When we asked the CEOs with a competitive problem to elaborate, we found that the root cause was usually the shrinking economy. As Mr. Diez puts it, "Many companies aren't worrying as much about their employees or profits as they are about survival. So they undercut prices to get the job." And Mark A. Valle, chief executive of Mark Metals Inc., a metals distributor in the City of Industry, California, adds that "With this economy the total amount of business is shrinking so

Teresa McBride, CEO of McBride and Associates (here with customer Steven Lucero, VP of Carretas Inc. in Albuquerque), says companies like hers that provide computer services can do better at a time when client companies are being careful about expenditures on inhouse staffing.

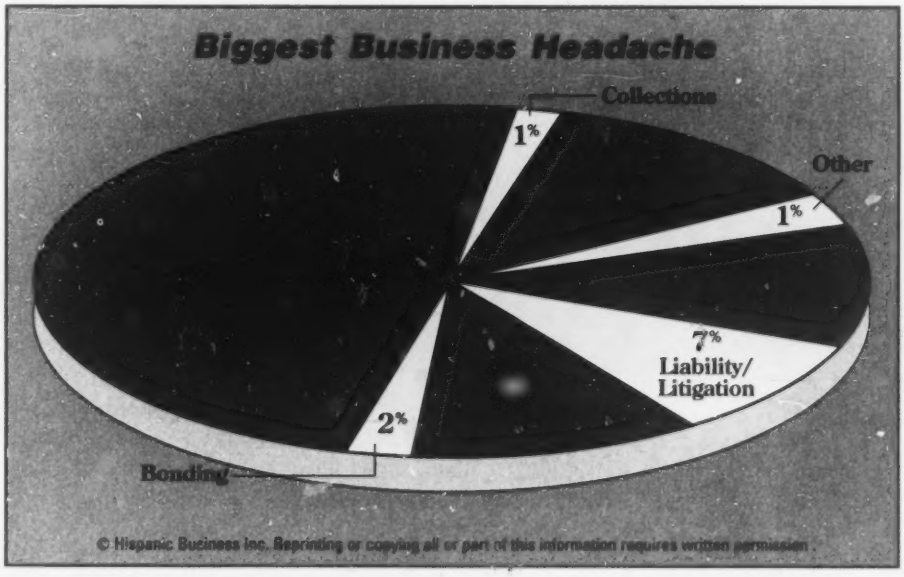
GROW



there are fewer slices to cut from a smaller pie."

With such shrinkage, the slices that international competitors take seem to be hurting the 500 more too. Guillermo Miranda, Jr., head of athletic footware manufacturer Gator Industries Inc. in Hialeah, Florida, says his competition is virtually all from China, Taiwan, and Korea. As a result, he explains, "We're handling the economic situation by watching our overhead and tracking the economy very closely. We're also lobbying for trade restrictions on the Asian manufacturers to give us a fair chance to compete."

Despite the bite of low-cost competition, Gator Industries is still managing to grow—from $52 million in 1989 to $56.3 million in 1990. "And the first half of [fiscal] 1991 has been good," Mr. Miranda says cautiously. "With the war we can't project the rest of the year."



Other companies actually seem to be benefiting from adversity. Chihuahua Inc., a Fresno, California-based tortilla producer headed by Frank Villegas, is one example. "Actually the economy is helping," says Mr. Villegas, "since we make low cost food items. Sales are up." Sales for 1989 were $11.2 million, and in 1990 they were just a few thousand shy of $12 million. So for now, Mr. Villegas says, he plans to keep right on growing because "we're in the rapids. We have to keep rowing."

Teresa McBride, CEO of McBride & Associates Inc. in Albuquerque, is also benefiting from the economic situation. Her computer service and sales business is the second fastest growing Hispanic-owned company in the country. "We're not downsizing," says Ms. McBride, "but many major corporations are, and as they eliminate inhouse services they are contracting out more, so we're getting more work. The economy isn't really affecting us right now." Still, like any shrewd executive of the 1990s, she is "tracking it a lot more closely these days."

Another CEO headache is the problem of finding financing—an affliction that's especially bad for "capital intensive" businesses requiring very expensive equipment. One firm in that category is the Ferrous Metal Processing Company in Cleve-

land—a steel milling and service business. "The cheapest piece of equipment I can get costs half a million dollars, and the two I'd like to get cost $5 million each," explains Chief Executive Officer Eduardo Gonzalez. "However," Mr. Gonzalez is quick to point out, "we're one of the 100 fastest growing companies in Cleveland, at a time when most steel mills are really hurting." With reported sales of $9.6 million in 1989 and $10.5 million in 1990, Mr. Gonzalez has just cause to report that his greatest success has been the "ability to sustain market growth."

One way the 500 CEOs may be handling the new economic reality is to pay themselves less. Last year 65 percent of all respondents said they made more than $100,000. This year it is 60 percent. Last year 19 percent made between $75,000 and $100,000; this year 14 percent. And last year only 5 percent said they made under $75,000, while this year 15 percent put themselves in that range. (Both years 11 percent declined to answer.)

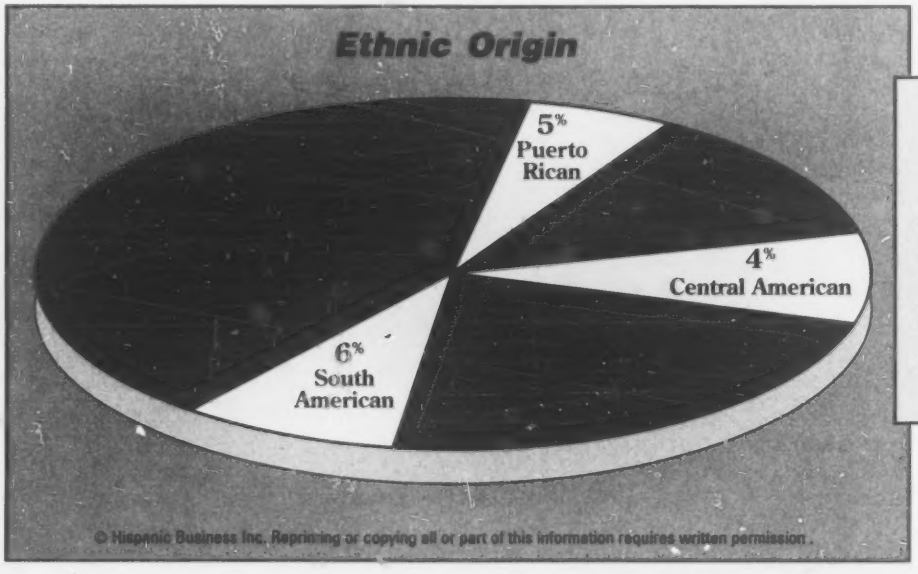
At the same time there was a 6 percent decrease in the number of working spouses, to 50 percent. Of the working couples, 64 percent work together, virtually the same as last year. On the household front there is also a change in the choice of family autos. Last year the most popular make of family car was a Mercedes; this year it is a Cadillac.

Ralph Velasco, CEO of Amigos Canning Co. Inc. in San Antonio, doubled his sales from 1989 to 1990 by changing his marketing strategy from private label to the Amigos brand.

When it comes to membership in Hispanic business groups, many more CEOs are joining. The number who belong to such local and national organizations is up from 26 percent to 40 percent, half of whom are members of the U.S. Hispanic Chamber of Commerce (USHCC). A still larger group—65 percent—think such memberships are important, and 17 percent are undecided.

As more CEOs participate in these Hispanic business groups, two things are happening. On the one hand, expectations are changing. As Mr. Valle of Mark Metals in California puts it, he had always thought networking groups focused on giving each other business, and avoided them because he didn't feel he had time for that. But now, as a member of the Latin Business Association in Los Angeles, he says his view has changed. "Now that I'm attending mixers, meetings, and such, I've found that the real value is in idea exchange."

On the other hand, as membership in Hispanic business


Ethnic Origin
5% Puerto Rican
4% Central American
6% South American
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Political Affiliation

Republican	34%
Independent	7%
Democrat	6%
Declined	53%

groups swells, new and more sophisticated demands are creating pressures for change in the organizations themselves. For example, when we interviewed one CEO who says he believes such associations could be useful, but doesn't belong to one, this was his comment off the record: "The USHCC seems to be a good, well organized association on the national level. But here locally they're useless, and there's a lot of backbiting."

Fortunately, ambitious Hispanic executives all across the country are deciding to change that situation, says Gabriel Aguirre, the USHCC's new chairman of the board, and a lot depends on local support. Mr. Aguirre, who is also CEO of Sani Serv Inc. in Indianapolis, a cold food vending machine maker, gives this advice: "Don't just sit there and complain. Do something about it. The local organizations can't do anything without lots of involvement, and the national can't do anything without financial backing. This involvement and support is especially important for the CEOs of the HISPANIC BUSINESS 500, who are in the best position to do something."

In terms of other affiliations, again only 40 percent of the responding CEOs consider themselves aligned with one of the two major political parties—34 percent are Republicans, 6 percent Democrats. By comparison, 7 percent report they are independents, and a big 53 percent are unaffiliated.

We also found that many of the CEOs are refining their management and market strategies to deal with today's economy. Ralph Velasco, Jr., CEO of Amigos Canning Co. Inc., a Mexican food manufacturer in San Antonio, thinks his recent change in market strategy has been his greatest success. Amigos had done fine as a supplier to private label clients until about 1982, says Mr. Velasco, when the private label customer base "began to disappear as a result of mergers and acquisitions. This trend continued until 1989, when our business dropped to $2.1 million."

His response that year was to put a priority on marketing his own Amigos branded products—a basic change in strategy that netted an "almost 100 percent increase in sales from 1989 to 1990, from $2.1 million to $4.1 million." And it's still improving, Mr. Velasco says happily, describing his plans for a new accounting system reflecting the change in business focus, with a management and marketing information retrieval system.

It's the companies like Amigos Canning, McBride and Associates, and Ferrous Metals that illustrate how the HISPANIC BUSINESS 500 CEOs are managing to grow—with an emphasis on the "managing."

Household Income

Over $100,000	60%
$75,001 - 100,000	14%
$50,001 - 75,000	12%
$35,001 - 50,000	3%
Declined	11%

Does Your Spouse Work?

Yes	50%
No	37%
Declined	13%

If Yes, Does He/She Work With You?

Yes	64%
No	23%
Declined	13%

Personal and Family Vehicles

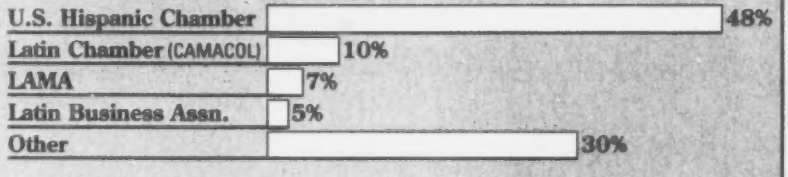
(Percent of total reported, by brand)

Cadillac	15%
Mercedes	12%
Chevrolet	9%
Ford	9%
BMW	6%
Jaguar	6%
Lincoln	6%
Nissan	4%
Other makes	33%

Important to Belong to Hispanic Business Groups?

To What Group(s) Do You Belong?

(Of the 40 percent who belong to groups)



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